

**POCAHONTAS AREA
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2007 Election)

Raymond Seehusen	President	2009
Jeff Kerns	Vice President	2007
Thomas Nedved		2007
Dan Duitscher		2008
Richard Garner		2009
Darwin Eaton		2008
John Behrendsen		2008

(After September, 2007 Election)

Raymond Seehusen	President	2009
Jeff Kerns	Vice President	2009
Greg Fritz		2011
Dan Duitscher		2008
Richard Garner		2009
Darwin Eaton		2008
John Behrendsen		2008

School Officials

Joseph Kramer	Superintendent
Diane Pattee	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

To the Board of Education of
Pocahontas Area Community School District:

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District, Pocahontas, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

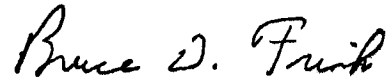
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Pocahontas Area Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 24, 2009 on our consideration of Pocahontas Area Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas Area Community School District's basic financial statements. We previously audited the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Pocahontas Area Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,606,735 in fiscal year 2007 to \$5,640,886 in fiscal year 2008 (a 1% increase), while General Fund expenditures increased from \$5,635,085 in fiscal year 2007 to \$5,952,032 in fiscal year 2008 (a 6% increase).
- General Fund revenues increased only slightly. The increase in expenditures was due primarily to increases in salary and benefits. The General Fund balance decreased over \$311,000 in the prior fiscal year, a 19% decrease.
- Local option sales tax revenues continue to be collected from all counties. The fund is being saved for future infrastructure projects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Pocahontas Area Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Pocahontas Area Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pocahontas Area Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and a revenue/expense comparison.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Pocahontas Area Community School District Annual Financial Report

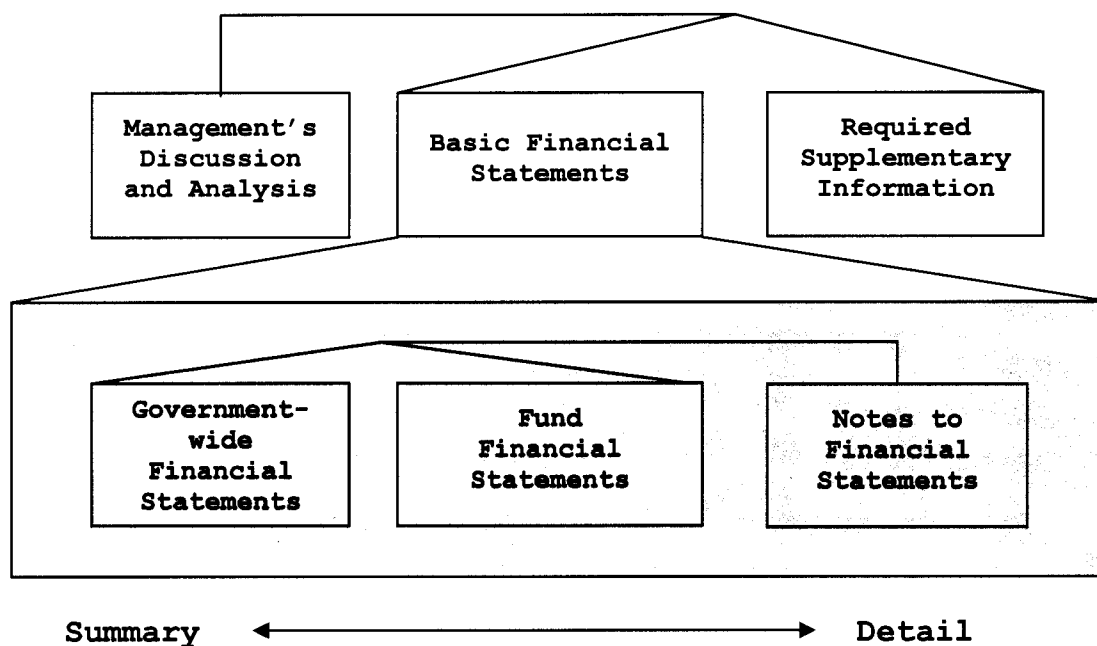


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, Changes in Net Assets and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	2007-08
Current assets	\$ 5,522	5,144	43	24	5,565	5,168	7.68%
Capital assets	1,890	2,161	7	9	1,897	2,170	-12.58%
Total assets	<u>7,412</u>	<u>7,305</u>	<u>50</u>	<u>33</u>	<u>7,462</u>	<u>7,338</u>	<u>1.69%</u>
Current liabilities	2,418	2,449	-	-	2,418	2,449	-1.27%
Non-current liabilities	-	32	-	-	-	32	-100.00%
Total liabilities	<u>2,418</u>	<u>2,481</u>	<u>-</u>	<u>-</u>	<u>2,418</u>	<u>2,481</u>	<u>-2.54%</u>
Net Assets							
Invested in capital assets, net of related debt	1,890	2,161	7	9	1,897	2,170	-12.58%
Restricted	1,607	1,148	-	-	1,607	1,148	39.98%
Unrestricted	1,497	1,515	43	24	1,540	1,539	0.06%
Total net assets	<u>\$ 4,994</u>	<u>4,824</u>	<u>50</u>	<u>33</u>	<u>5,044</u>	<u>4,857</u>	<u>3.85%</u>

Restricted assets grew over \$450,000, primarily as a result of sales tax collections and no expenditures from the Capital Projects Fund. Capital assets decreased as depreciation expense (a non-cash item) exceed new purchases.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4								
Changes in Net Assets								
(Expressed in Thousands)								
Governmental Activities		Business type Activities		Total School District		Total Change		
2008	2007	2008	2007	2008	2007	2007-08		
Revenues:								
Program revenues:								
Charges for service and sales	\$ 270	319	139	144	409	463	-11.66%	
Operating grants, contributions and restricted interest	1,302	1,118	135	119	1,437	1,237	16.17%	
General revenues:								
Property tax	2,329	2,393	-	-	2,329	2,393	-2.67%	
Local option sales tax	369	349	-	-	369	349	5.73%	
Unrestricted state grants	2,302	2,283	-	-	2,302	2,283	0.83%	
Unrestricted investment earnings	69	74	-	-	69	74	-6.76%	
Other	40	53	-	-	40	53	-24.53%	
Total revenues	6,681	6,589	274	263	6,955	6,852	1.50%	
Program expenses:								
Governmental activities:								
Instruction	4,197	3,892	-	-	4,197	3,892	7.84%	
Support Services	1,816	1,857	-	-	1,816	1,857	-2.21%	
Non-instructional programs	6	3	263	245	269	248	8.47%	
Other expenses	534	668	-	-	534	668	-20.06%	
Total expenses	6,553	6,420	263	245	6,816	6,665	2.27%	
Change in net assets	\$ 128	169	11	18	139	187	25.67%	

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,681,471 and expenses were \$6,553,042.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
		Change			Change	
2008	2007	2007-08	2008	2007	2007-08	
Instruction	\$ 4,197	3,892	7.84%	2,926	2,725	7.38%
Support Services	1,816	1,857	-2.21%	1,783	1,832	-2.67%
Noninstructional Programs	6	3	100.00%	6	3	100.00%
Other expenses	534	668	-20.06%	266	423	-37.12%
Totals	<u>\$ 6,553</u>	<u>6,420</u>	<u>2.07%</u>	<u>4,981</u>	<u>4,983</u>	<u>-0.04%</u>

- The cost financed by users of the District's programs was \$269,668.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$755,273.
- The net cost of governmental activities was financed with \$2,329,177 in property tax, \$2,302,288 in state foundation aid, and \$69,111 in interest income.

Business-Type Activities

Revenues of the District's business type activities were \$273,818 and expenses were \$262,919. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Pocahontas Area Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,315,855, a 7% increase from last year's ending fund balances of \$3,103,891.

Governmental Fund Highlights

- The District's General Fund balance decreased due to revenues not being able to keep pace with expenses. Revenues grew by less than 1%. Allowable growth of 4% or less is insufficient.
- The District's Capital Project Fund increased as a result of the District collecting local option sales tax from all counties along with no spending from these funds.

Proprietary Fund Highlights

The District's Nutrition Fund increased primarily as a result of cost reductions.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 31 and 32.

Legal Budgetary Highlights

The District's receipts were \$282,797 less than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving less in local source revenue than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 11% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$162,206.

The original cost of the District's capital assets was \$6,599,516. Governmental funds account for \$6,562,424, with the remainder of \$37,092 accounted for in the Proprietary School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 144	144	-	-	144	144	0.00%
Site improvements	55	61	-	-	55	61	-9.84%
Buildings	1,347	1,416	-	-	1,347	1,416	-4.87%
Furniture and equipment	261	270	5	7	266	277	-3.97%
Totals	\$ 1,807	1,891	5	7	1,812	1,898	-4.53%

Long-Term Debt

The District has no long-term indebtedness at June 30, 2008. The voters of the District approved a \$10.89 million bond issue in December, 2008 for the construction of a major addition to the existing middle school/high school.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment the past several years.
- The allowable growth rate of 4% or less provided by the Legislature is inadequate to meet expected cost increases.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane Pattee, District Secretary, Pocahontas Area Community School District, 202 1st Ave SW, Pocahontas, IA 50574-1910.

Basic Financial Statements

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,105,784	46,894	3,152,678
Receivables:			
Property tax:			
Current year	26,114	-	26,114
Succeeding year	2,436,048	-	2,436,048
Due from other governments	166,457	-	166,457
Other receivables	63,815	35	63,850
Inventory	-	9,597	9,597
Capital assets, net of accumulated depreciation	1,806,907	4,855	1,811,762
Total assets	<u>7,605,125</u>	<u>61,381</u>	<u>7,666,506</u>
Liabilities			
Accounts payable	14,798	-	14,798
Accrued payroll and benefits	31,517	-	31,517
Deferred revenue:			
Succeeding year property tax	2,436,048	-	2,436,048
Total liabilities	<u>2,482,363</u>	<u>-</u>	<u>2,482,363</u>
Net assets			
Invested in capital assets, net of related debt	1,806,907	4,855	1,811,762
Restricted for:			
Internal services	148,156	-	148,156
Management levy	259,209	-	259,209
Physical plant and equipment levy	241,842	-	241,842
Capital projects	1,403,291	-	1,403,291
Unrestricted	1,263,357	56,526	1,319,883
Total net assets	<u>\$ 5,122,762</u>	<u>61,381</u>	<u>5,184,143</u>

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 4,197,037	269,638	1,001,057	(2,926,342)	-	(2,926,342)
Support services:						
Student services	195,476	-	-	(195,476)	-	(195,476)
Instructional staff services	182,084	-	-	(182,084)	-	(182,084)
Administration services	616,079	-	-	(616,079)	-	(616,079)
Operation and maintenance of plant services	536,754	-	32,751	(504,003)	-	(504,003)
Transportation services	285,589	30	-	(285,559)	-	(285,559)
	1,815,982	30	32,751	(1,783,201)	-	(1,783,201)
Non-instructional programs:						
Community service operations	6,037	-	-	(6,037)	-	(6,037)
Other expenditures:						
AEA flowthrough	230,198	-	230,198	-	-	-
Facilities acquisition and construction	143,797	-	37,985	(105,812)	-	(105,812)
Depreciation (unallocated) *	159,991	-	-	(159,991)	-	(159,991)
	533,986	-	268,183	(265,803)	-	(265,803)
Total governmental activities	6,553,042	269,668	1,301,991	(4,981,383)	-	(4,981,383)

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	262,919	139,380	134,438	10,899
Total	\$ 6,815,961	409,048	1,436,429	(4,970,484)
General Revenues:				
Property tax levied for:				
General purposes			\$ 1,952,632	-
Management			179,864	-
Capital outlay			196,681	-
Local option sales tax			368,902	-
Unrestricted state grants			2,302,288	-
Unrestricted investment earnings			69,111	-
Other			40,334	-
Total general revenues			5,109,812	5,109,812
Change in net assets			128,429	10,899
Net assets beginning of year			4,994,333	50,482
Net assets end of year			\$ 5,122,762	61,381
				5,184,143

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	Assets					Liabilities and Fund Balances				
	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total				
Cash and pooled investments	\$ 1,251,242	94,580	256,899	239,638	1,263,425	3,105,784				
Receivables:										
Property tax:										
Current year	21,893	-	2,017	2,204	-	26,114				
Succeeding year	1,974,173	-	255,000	206,875	-	2,436,048				
Due from other governments	46,058	-	-	-	120,399	166,457				
Other receivables	40,214	3,841	293	-	19,467	63,815				
Total assets	<u>3,333,580</u>	<u>98,421</u>	<u>514,209</u>	<u>448,717</u>	<u>1,403,291</u>	<u>5,798,218</u>				
Liabilities:										
Accounts payable	14,798	-	-	-	-	14,798				
Accrued payroll and benefits	31,517	-	-	-	-	31,517				
Deferred revenue:										
Succeeding year property tax	1,974,173	-	255,000	206,875	-	2,436,048				
Total liabilities	<u>2,020,488</u>	<u>-</u>	<u>255,000</u>	<u>206,875</u>	<u>-</u>	<u>2,482,363</u>				
Fund balances:										
Reserved for internal services	148,156	-	-	-	-	148,156				
Reserved for capital projects	-	-	-	-	1,403,291	1,403,291				
Unreserved	1,164,936	98,421	259,209	241,842	-	1,764,408				
Total fund balances	<u>1,313,092</u>	<u>98,421</u>	<u>259,209</u>	<u>241,842</u>	<u>1,403,291</u>	<u>3,315,855</u>				
Total liabilities and fund balances	<u>\$ 3,333,580</u>	<u>98,421</u>	<u>514,209</u>	<u>448,717</u>	<u>1,403,291</u>	<u>5,798,218</u>				

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 3,315,855
--	--------------

**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds.

1,806,907

Net assets of governmental activities (Exhibit A)

\$ 5,122,762

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Revenues:						
Local sources:						
Local tax	\$ 1,952,632	-	179,864	196,681	368,902	2,698,079
Tuition	256,959	-	-	-	-	256,959
Other	143,536	224,402	15,164	17,292	37,985	438,379
State sources	3,131,266	-	142	153	-	3,131,561
Federal sources	156,493	-	-	-	-	156,493
Total revenues	5,640,886	224,402	195,170	214,126	406,887	6,681,471
Expenditures:						
Current:						
Instruction:	4,018,410	222,835	-	-	-	4,241,245
Support services:						
Student services	195,476	-	-	-	-	195,476
Instructional staff services	182,084	-	-	-	-	182,084
Administration services	572,269	-	-	43,810	-	616,079
Operation and maintenance of plant services	461,969	-	95,976	-	-	557,945
Transportation services	285,589	-	-	-	-	285,589
	1,697,387	-	95,976	43,810	-	1,837,173
Non-instructional programs:						
Community service operations	6,037	-	-	-	-	6,037

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Other expenditures:						
AEA flowthrough	230,198	-	-	-	-	230,198
Facilities acquisition and construction	-	-	-	154,854	-	154,854
	230,198	-	-	154,854	-	385,052
Total expenditures	5,952,032	222,835	95,976	198,664	-	6,469,507
Net change in fund balance	(311,146)	1,567	99,194	15,462	406,887	211,964
Fund balances beginning of year	1,624,238	96,854	160,015	226,380	996,404	3,103,891
Fund balances end of year	\$ 1,313,092	98,421	259,209	241,842	1,403,291	3,315,855

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ 211,964

**Amounts reported for governmental activities in the State of
 Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 76,456	
Depreciation expense	<u>(159,991)</u>	<u>(83,535)</u>

Change in net assets of governmental activities (Exhibit B) \$ 128,429

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2008

	Business Type
	<u>School</u>
	<u>Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 139,380
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	68,708
Benefits	33,132
Supplies	158,864
Depreciation	2,215
	<u>262,919</u>
Operating (loss)	<u>(123,539)</u>
Non-operating revenues:	
Local sources	385
State sources	3,334
Federal sources	130,719
	<u>134,438</u>
Net change in assets	10,899
Net assets beginning of year	<u>50,482</u>
Net assets end of year	<u>\$ 61,381</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 139,375
Cash payments to employees for services	(101,840)
Cash payments to suppliers for goods or services	(134,984)
Net cash provided by (used in) operating activities	<u>(97,449)</u>
Cash flows from non-capital financing activities:	
State grants received	3,334
Federal grants received	104,564
Net cash provided by non-capital financing activities	<u>107,898</u>
Cash flows from financing activities	
Interest on investments	<u>385</u>
Net increase (decrease) in cash and cash equivalents	10,834
Cash and cash equivalents beginning of year	<u>36,060</u>
Cash and cash equivalents end of year	<u><u>\$ 46,894</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	\$ (123,539)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,215
Commodities used	26,155
(Increase) in other receivables	(5)
(Increase) in inventory	(2,275)
	<u><u>\$ (97,449)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$26,155.

See notes to financial statements.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Scholarship Fund
	<u> </u>
Assets	
Cash and pooled investments	\$ <u>10,186</u>
Total assets	<u>10,186</u>
Net Assets	
Reserved for scholarships	<u>\$ 10,186</u>

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	<u>Private Purpose Trust Fund</u>
Additions:	
Local sources:	
Miscellaneous	\$ 1,496
Total additions	<u>1,496</u>
Deductions:	
Support services:	
Scholarships	<u>1,102</u>
Change in net assets	394
Net assets beginning of year	<u>9,792</u>
Net assets end of year	<u><u>\$ 10,186</u></u>

See notes to financial statements.

POCHONTAS AREA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Pocahontas Area Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Pocahontas, Rolfe, Havelock & Plover, Iowa, and agricultural territory in Pocahontas and Palo Alto Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pocahontas Area Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Pocahontas Area Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pocahontas County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008 expenditures exceeded the amount budgeted in the support services function.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments at June 30, 2008.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 143,945	-	-	143,945
Capital assets being depreciated:				
Site Improvements	319,354	11,057	-	330,411
Buildings	3,445,085	-	-	3,445,085
Furniture and Equipment	2,577,584	65,399	-	2,642,983
Total capital assets being depreciated	6,342,023	76,456	-	6,418,479
Less accumulated depreciation for:				
Site Improvements	258,531	16,521	-	275,052
Buildings	2,029,065	68,902	-	2,097,967
Furniture and Equipment	2,307,930	74,568	-	2,382,498
Total accumulated depreciation	4,595,526	159,991	-	4,755,517
Total capital assets being depreciated, net	1,746,497	(83,535)	-	1,662,962
Governmental activities, capital assets, net	\$ 1,890,442	(83,535)	-	1,806,907
Business type activities:				
Furniture and equipment	\$ 37,092	-	-	37,092
Less accumulated depreciation	30,022	2,215	-	32,237
Business type activities capital assets, net	\$ 7,070	(2,215)	-	4,855
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 159,991
				\$ 159,991
Business Type activities				
Food service operations				\$ 2,215
				\$ 2,215

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the year ended June 30, 2008. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$224,788, \$201,803, and \$206,881 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$230,198 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Commitment

In December, 2008, the voters of the District approved a \$10.89 million bond issue for constructing a major addition to the existing middle school/high school.

Required Supplementary Information

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 3,393,417	139,765	3,533,182	3,883,313	3,883,313	(350,131)
State sources	3,131,561	3,334	3,134,895	3,024,773	3,024,773	110,122
Federal sources	156,493	130,719	287,212	330,000	330,000	(42,788)
Total revenues	<u>6,681,471</u>	<u>273,818</u>	<u>6,955,289</u>	<u>7,238,086</u>	<u>7,238,086</u>	<u>(282,797)</u>
Expenditures:						
Instruction	4,241,245	-	4,241,245	5,999,246	5,999,246	1,758,001
Support services	1,837,173	-	1,837,173	1,794,500	1,794,500	(42,673)
Non-instructional programs	6,037	262,919	268,956	367,840	367,840	98,884
Other expenditures	385,052	-	385,052	2,043,829	2,043,829	1,658,777
Total expenditures	<u>6,469,507</u>	<u>262,919</u>	<u>6,732,426</u>	<u>10,205,415</u>	<u>10,205,415</u>	<u>3,472,989</u>
Excess (deficiency) of revenues over (under) expenditures	211,964	10,899	222,863	(2,967,329)	(2,967,329)	3,190,192
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	211,964	10,899	222,863	(2,967,329)	(2,967,329)	3,190,192
Balance beginning of year	<u>3,103,891</u>	<u>50,482</u>	<u>3,154,373</u>	<u>2,967,329</u>	<u>2,967,329</u>	<u>187,044</u>
Balance end of year	<u>\$ 3,315,855</u>	<u>61,381</u>	<u>3,377,236</u>	<u>-</u>	<u>-</u>	<u>3,377,236</u>

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the support services function. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Concessions	\$ -	11	11	-
Computer Supplies	717	-	324	393
Graduated Classes	3,596	-	(2,657)	6,253
Class of 2005	1,434	-	1,434	-
Class of 2006	1,640	-	1,640	-
Class of 2007	356	-	356	-
Class of 2008	4,166	-	2,589	1,577
Class of 2009	296	14,913	11,523	3,686
Class of 2010	13	305	218	100
Class of 2011`	-	240	57	183
Towel Fee	697	-	214	483
Locker Rent	2,496	240	325	2,411
Board of Education	285	1,586	1,473	398
Mock Trial	558	65	406	217
Pop/Juice - Vending	2,953	8,024	6,675	4,302
Restroom - Vending	182	-	182	-
Administrative Resale	61	-	-	61
Vocal Music	2,072	1,630	2,415	1,287
Instrumental Music	3,143	5,684	5,198	3,629
Band Uniforms	584	552	-	1,136
Band Insurance	686	-	-	686
Drill Team	2,469	12,086	11,094	3,461
Cheerleader Trip Fund	290	-	290	-
Football	2,777	8,369	11,001	145
Activity Trips	208	-	-	208
Cheerleaders	2,437	1,683	2,172	1,948
Weight Training	187	-	-	187
Golf	-	1,363	1,363	-
Basketball	553	8,828	8,040	1,341
Boys Basketball Camp	1,485	2,902	3,806	581
Volleyball	-	4,948	4,948	-
Softball/Baseball	-	18,572	18,572	-
Softball Trips	550	776	737	589
Track	350	4,314	4,664	-
Track Trip - Boys	420	700	822	298
Track Trip - Girls	2,490	402	523	2,369
Cross Country	-	1,579	1,579	-
Wrestling	-	3,460	3,460	-
Activity Tickets	65	9,559	9,624	-
Activity Tickets/Senior Citizens	882	100	-	982
Wrestling Mothers	6,206	7,619	7,408	6,417
Football Camp	4,540	4,611	6,785	2,366
Athletic Resale	474	2,522	2,381	615
Volleyball Camp	537	195	330	402

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Marketing Class	108	-	80	28
Cross Country Special Fund	108	624	88	644
Trading Post Store	495	18,854	18,882	467
JH Student Council	739	-	692	47
Science Club	47	-	47	-
Art Club	306	-	70	236
Mystery Photo Contest	50	-	-	50
Student Council	88	741	292	537
FFA	1,570	17,982	14,413	5,139
Home Ec Club	14	-	-	14
Home Ec Resale	39	338	328	49
Spanish Club	192	-	-	192
Annual	2,228	12,233	11,741	2,720
Softball Concessions	10,470	7,056	8,683	8,843
Baseball Concessions	7,196	10,899	10,010	8,085
Newspaper	7	-	-	7
Dramatics	571	894	1,465	-
National Honor Society	-	207	207	-
Baseball Mothers	945	2,345	3,290	-
Jr High Math	93	-	-	93
Softball Parents	3,678	110	11	3,777
Elementary Sunshine Fund	42	510	434	118
Energy and Power Class	300	-	-	300
Swing Choir	251	4,496	4,747	-
Mentoring Program	45	-	-	45
Task Force Fund	7	538	390	155
MS Concessions	847	-	62	785
Jump Rope for Heart	808	1,657	1,906	559
HS Take Charge for Education	1,124	1,008	753	1,379
Schwig Marketing	43	1,670	-	1,713
MS Take Charge for Education	337	1,023	1,151	209
Carnival	3,411	1,758	1,207	3,962
After Prom Party	1,278	9,055	8,814	1,519
Interest	6,562	2,566	1,090	8,038
Total	\$ 96,854	224,402	222,835	98,421

See accompanying independent auditor's report.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,698,079	2,741,371	2,860,784	2,427,585	2,517,174
Tuition	256,959	306,267	299,640	272,844	372,820
Other	438,379	452,789	474,365	647,988	469,473
State sources	3,131,561	2,892,756	2,977,811	3,044,235	2,770,916
Federal sources	156,493	195,572	194,882	246,869	208,871
Total	<u>\$ 6,681,471</u>	<u>6,588,755</u>	<u>6,807,482</u>	<u>6,639,521</u>	<u>6,339,254</u>
Expenditures:					
Instruction	\$ 4,241,245	3,924,140	4,082,812	4,178,727	4,429,520
Support services:					
Student	195,476	185,746	210,223	216,071	221,500
Instructional staff	182,084	177,872	171,911	263,801	105,627
Administration	616,079	702,218	660,310	587,190	599,322
Operation and maintenance of plant	557,945	529,866	572,294	917,113	502,100
Transportation	285,589	320,268	280,330	252,082	297,064
Non-instructional programs	6,037	2,824	4,037	2,790	5,165
Other expenditures:					
Debt Service:					
Principal	-	-	-	24,457	54,459
Interest	-	-	-	612	3,274
Facilities acquisition	154,854	112,518	359,164	-	182,124
AEA flowthrough	230,198	225,342	219,447	222,156	226,294
Total	<u>\$ 6,469,507</u>	<u>6,180,794</u>	<u>6,560,528</u>	<u>6,664,999</u>	<u>6,626,449</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the
Pocahontas Area Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pocahontas Area Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pocahontas Area Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Pocahontas Area Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pocahontas Area Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency as well as a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Pocahontas Area Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Pocahontas Area Community School District's financial statements that is more than inconsequential will not be prevented or detected by Pocahontas Area Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Pocahontas Area Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item 08-I-A, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pocahontas Area Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted immaterial instances of non-compliance or other matters to be described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pocahontas Area Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Pocahontas Area Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pocahontas Area Community School District and other parties to whom Pocahontas Area Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pocahontas Area Community School District during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 24, 2009

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- 08-I-A Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate possible alternatives to this situation.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- 08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

- 08-II-B Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the certified budget amounts in the Support Service function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- 08-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- 08-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

POCAHONTAS AREA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- 08-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 08-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 08-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.